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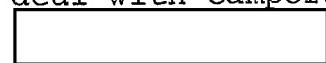
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ARGENTINA: Juan Peron, who apparently will guide the foreign policy of the newly elected government, is already concentrating on establishing closer relations with Western Europe.

Both Peron and President-elect Campora received red carpet treatment in Italy, where they met last week to discuss strategy for the Peronist government that is to be inaugurated on 25 May. The two men met separately with President Leone and Prime Minister Andreotti and reportedly worked out preliminary agreements on closer economic relations between Italy and Argentina. Campora also met with Spanish leaders in Madrid, where Peron has lived in exile.

On returning to Argentina, Campora told the press that Peron had decided not to attend the inauguration but instead would serve as Argentina's "super-ambassador to Europe." The 77-year-old former dictator will reportedly contact European commercial and financial leaders and arrange for Campora to meet with the presidents of France and West Germany.

The military would be likely to oppose any direct involvement by Peron in the Argentine Government. If, however, his direct participation is restricted to foreign affairs conducted primarily from his base in Spain, the chance of a clash between the government and the military should be reduced. Meanwhile, the armed forces are reportedly trying to steal a march on the Peronists by establishing diplomatic relations with Cuba before 25 May. Unless hemispheric developments make an early move desirable, however, Castro would probably prefer to deal with Campora rather than President Lanusse.



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ETHIOPIA: An official announcement that Crown Prince Asfa Wossen, who suffered a brain hemorrhage in late January, has fully recovered is greatly exaggerated, but it should ease political tensions temporarily.

The crown prince, who has been released from a London hospital, is apparently making some progress. [redacted]

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[redacted] He continues to undergo physiotherapy and speech rehabilitation, however, and there apparently are no plans for his early return to Ethiopia.

The announcement will probably allay public concern over succession. The public has been given little information on Asfa Wossen's condition, and rumors have been circulating in Addis Ababa for weeks that he was either totally paralyzed or dead. Maneuvering among rival claimants to the throne also will probably diminish for the time being. Following the crown prince's illness, factions reportedly formed around several royal contenders, including Prince Zara Yacob, the crown prince's only son. Zara Yacob is generally considered to be next in line, but the constitution is vague on the matter, and the Emperor has resisted pressure to clarify it. The political views of the 20-year-old prince are largely unknown, but most other major contenders are considered to be pro-Western.

Chances that the crown prince will ever succeed to the throne remain questionable. He will always have some residual incapacities that will either limit his ability to assert his claim or to rule effectively. Moreover, his diabetes and high blood pressure increase chances for further strokes. Another attack or a deterioration in the crown prince's condition could encourage various dissidents and set off another round of public speculation and high-level intrigue. [redacted]

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JAPAN: The central bank raised its discount rate yesterday to five percent and has moved to limit loans to some large companies. These measures are intended to dampen inflation, which has accelerated despite earlier attempts to restrict credit by raising the reserve requirements of commercial banks. The wholesale price index has risen by at least 1.5 percent each month this year, and the Tokyo consumer price index jumped 2.3 percent last month. Present monetary restraints, however, probably will not slow inflation significantly because there still is a surfeit of liquid funds in the economy. Moreover, the overall economic outlook is very bright, and private investment and consumption are likely to continue increasing rapidly. Under these circumstances, a further tightening of fiscal and monetary policies probably will be necessary.

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ISRAEL: Defense Minister Dayan and two ministers in the key National Religious Party are pressing for government approval of a policy to permit Israelis to purchase land in the occupied West Bank of Jordan. Some land has actually already been purchased near Jerusalem, but since 1967 the government has generally refused to permit Israelis to acquire West Bank real estate. Prime Minister Meir is said to favor some liberalization of this policy, but she is probably not inclined to go as far as Dayan wants. Large-scale purchases by Israelis would further complicate any Israeli-Jordanian peace settlement.

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PERU: President Velasco has officially resumed his responsibilities and will preside over a regular weekly cabinet session today at Lima's central military hospital. The regime has invited the press to attend, apparently in the hope of dispelling rumors that Velasco suffered brain damage during the first of his recent series of operations. Velasco's comeback will be accompanied by an outpouring of praise for his leadership, but it is unlikely to put an end to maneuvering by those who hope to succeed him in the presidency.

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